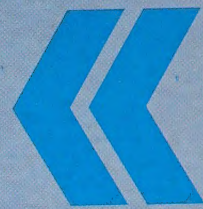
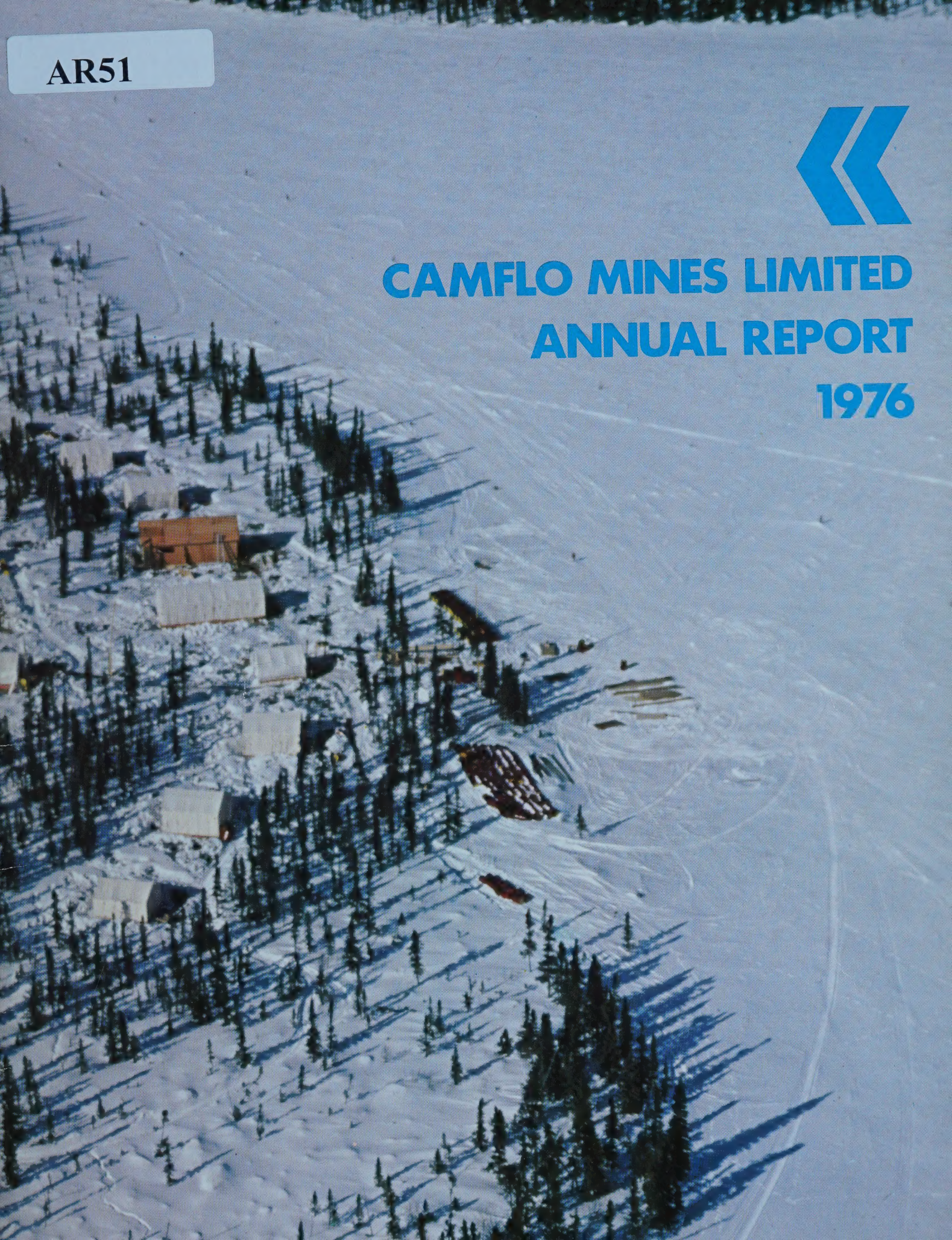


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CAMFLO MINES LIMITED
ANNUAL REPORT
1976





Total production from the Camflo mine passed the 1,000,000 ounce mark in September, 1976.

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Director's Report to Shareholders

The year 1976 was one of reduced earnings for the Company, attributed mainly to sharply lower prices for gold on world markets. The average price received for gold produced in 1976 was \$122 per ounce compared with \$155 in 1975.

With the rise in the price of gold in 1977, and the drop in the international value of the Canadian dollar, earnings prospects have brightened considerably. Policies directed at broadening the Company's asset base in energy industry resources are now producing returns, and earnings from these new sources are expected to make an increasing impact on future profits.

Financial

Net earnings in 1976 of \$2,045,323 were equal to 60 cents a share, compared with net earnings in 1975 of \$3,759,899, or \$1.10 a share. Cash flow was \$3.6 million, or \$1.06 a share, compared with \$4.9 million or \$1.42 a share in 1975. These results include the Company's share of losses from La Luz Mines Limited of \$306,739. In 1975, this loss was \$33,940.

Gold production was valued at \$11,005,763, down from \$13,719,301 while gross revenue from oil and gas production increased to \$683,328 from \$217,032 in 1975.

Working capital declined to \$1,419,616 from \$2,841,844. Shareholders' equity increased to \$13,511,024 from \$12,802,844 at the end of the previous year.

During the year the Company paid a regular dividend of 40 cents per share. This is the tenth consecutive year in which the Company has paid semi-annual dividends to its shareholders.

Gold

The Camflo mine continued to prove that it is one of the most efficient and lowest-cost underground gold mines. Operating costs were \$61 per ounce of gold recovered, equivalent to \$11.90 per ton of ore treated.

Included in the total of 90,458 ounces of gold produced in 1976 was the one millionth ounce poured on September 8. Production was up slightly from 88,568 ounces in 1975. The mine treated 463,721 tons of ore, an average of 1,267 tons per day, with an average recovered grade of 0.195 ounces per ton, an improvement from 456,123 tons averaging 0.194 ounces in 1975.

A detailed report on mine operations is included in this report.

Camflo has now produced over \$75 million worth of gold. Ore reserves of 2,400,550 tons grading 0.177 ounces gold per ton, compare with 2,725,000 tons of 0.182 ounces per ton at the end of 1975. These reserves represent more than five years of production, at current production rates.

Deepening of the main shaft to permit exploration and development of new areas was completed in mid-1975. Initial

exploration work on the 2,700 foot level is nearing completion and the grade and tons of reserves developed will be somewhat below that of reserves on the upper levels.

Mineral Exploration

The most significant exploration project yet undertaken by the Company is the Kasmere Lake Uranium Joint Venture in northwestern Manitoba. Camflo Mines Limited and United Siscoe Mines Limited each participate as to a 25% interest in this project, and the Provincial Government has taken a 50% interest.

Permits for 560,000 acres of favourable geological ground have been acquired and uranium mineralization has been found in boulder fields and has been detected with radiometric and geochemical surveying. A diamond drilling programme was started in March 1977 and although nothing large enough to be considered ore has been located, narrow high-grade uraniferous zones have been discovered.

Activity will be intensified as the weather improves after mid-May. Extensive detailed surface exploration is planned to delineate targets for further drilling and, initially, two drills will be active.

A detailed report on Kasmere Lake is included elsewhere in this report.

The Company continues to maintain its interest in the Beersville coal project in New Brunswick, its option on a Quebec asbestos prospect and claims in the Gaspé area. There have been no significant developments on these projects during the past year.

NATURAL GAS

Canada

Alberta The Iron Creek Plant in the Killam area commenced production in May 1976. Following the success of the 1975/76 drilling programme, capacity at this plant and at the existing Killam plant was doubled in the Fall of 1976, and wells previously drilled were tied-in to use the increased compression facilities. Additional wells were also brought into production in the Holden area in the Fall of 1976.

As a result, revenue from Killam and Holden increased sharply in the last quarter of 1976. In February 1977 the Hattie Lake plant in the Killam area came into production. In total, Camflo's share of production from Killam and Holden is now in excess of 4 million cubic feet per day. Prices for natural gas were increased in January 1977 and a further increase is expected in July 1977.

Net sales revenue from Killam and Holden was approximately \$500,000 in 1976 and should be at least \$1,250,000 in 1977 as a result of increased production and higher prices. During 1977 Camflo expects to participate in drilling approximately 35 development wells at Killam and Holden.

In early 1976 Camflo acquired a 25% equity interest in Signalta Resources Limited, a newly formed private oil and

gas exploration company. At December 31, 1976 Camflo's share of natural gas reserves developed by Signalta as operator was 1.0 billion cubic feet with estimated annual cash flow of \$85,000 against expenditure by Camflo of only \$100,000. An expanded exploration effort will be undertaken in Alberta in 1977 with Signalta as operator.

Camflo's total Canadian reserves of natural gas now amount to approximately 20 billion cubic feet.

U.S.A.

East Texas Late in 1976 the Company, through its wholly-owned subsidiary C.M.L. Inc., agreed to participate in a \$9 million (U.S.) gas exploration joint venture in East Texas operated by Orbit Oil & Gas Inc. of Tyler, Texas. The Company contributes 20% of exploration costs for a 15% working interest. The Company's share of exploration costs over a two-year period will thus be about \$1,800,000 (U.S.).

Under the exploration programme the operator is committed to drilling at least two exploration wells in the first year and three exploration wells in the second year.

One exploration well has now been completed — #1 C. E. Turner — and encountered a significant sweet gas discovery in the Cotton Valley limestone formation at a depth of some 11,000 feet. The well has been tested at between 7 and 8 million cubic feet per day and it is anticipated that a market for 3/4 million cubic feet per day can be established. C.M.L. Inc.'s interest is 14% to payout and 7½% thereafter. The well is expected to commence production in mid-1977.

At the start of the joint venture a shut-in sour gas well — #1 C. H. Mayes — was purchased for approximately \$500,000 (U.S.). This well has now been tested and flowed at 10 million cubic feet per day. Since this is a sour gas well, feasibility studies are underway to determine the best method of marketing the gas.

Coal — La Luz Mines Limited

Camflo participates in coal projects in Ohio through a 49% interest in La Luz Mines Limited, a venture of major importance for the future earnings of the Company. The plan of merger with Gilbert Fuel did not proceed because of adverse tax considerations confronting Gilbert shareholders. However, La Luz is now participating in all three coal mines on a Joint Venture basis.

A plan of financing was executed in order to provide the Joint Venture with a solid financial base. La Luz Ohio and Gilbert Fuel obtained a \$13 million loan from the New York agency of a Canadian Chartered Bank. Camflo has guaranteed the loan to the extent of \$7 million and has been granted a royalty of 10 cents per ton of coal mined during a period of 10 years commencing January 1, 1977.

In 1976 252,000 tons were mined at the Crown City mine in southern Ohio and 242,000 tons were mined at the Gilbert I and II mines in central Ohio.

Severe weather conditions experienced in the north-east section of the United States early in 1977, coupled with an ever-increasing shortage of natural gas increased the demand for thermal coal for electrical generation. Although this unusually cold weather temporarily curtailed barge shipments of coal from the Crown City operation, the Joint Venture operation continues to move toward its goal of producing up to 1.25 million tons per year commencing in 1978.

The electricity shortages during this winter in the eastern United States underlined the need for increased reliance on domestic coal and already there are indications of a substantial increase in shipments by the La Luz Joint Venture. The new U.S. Administration has indicated that policies regarding energy development are being prepared and it is hoped that these will clear away some of the uncertainty currently hampering planning of capital projects of power utilities.

Obstacles and difficulties are to be expected in such a major new undertaking, some foreseeable and others, such as the unusual weather, unforeseen. The key element in the decision to participate in developing thermal coal in Ohio is the belief that energy requirements in the U.S. indicate a promising future for such coal.

La Luz commenced receiving income from natural gas in 1976 as a result of participation in wells in the Halkirk area of Alberta. In addition, royalty income received from its tungsten property in California increased during the year.

Outlook

The outlook for the current year has considerably improved from 1976. Higher gold prices will improve earnings from the Company's gold mine. Natural gas revenue, which more than doubled in 1976, is continuing to increase at a comparable rate. The new coal mining interests in Ohio continue to progress and it is expected that operations can be established on a profitable basis in the latter part of this year. The uranium exploration programme in Manitoba is well underway and with drilling, some preliminary evaluations will be possible.

The newer activities — in natural gas, coal and uranium — are possible because of the solid foundation of the gold mine. These energy-related resource industries are more vital than ever to the economic strength of Canada and the United States.

A high-calibre group of people — miners, managers, financial and administrative staff, geologists and engineers — make up the core of your Company. On behalf of the Shareholders, we express our appreciation for their continuing excellent efforts.

On behalf of the Board of Directors.

A. W. Stollery
Chairman

G. T. Smith
President

April 18, 1977

Mine Operation Report

To the Chairman of the Board, President and Directors:

The following report details operations of the Company's mine in the Malartic Area, Quebec, for the year ended December 31, 1976, together with comparative statistics for prior years where applicable.

Summary

During the year 90,458 ounces of gold worth \$11,005,763 were produced.

Production

In 1976 the mill treated 463,721 tons of ore, an average of 1,267 tons per day. The recovered grade was 0.195 ounces of gold per ton and 90,458 ounces of gold were produced. The mill recovery increased from 95.4% in 1975 to 95.7% in 1976.

	1976	1975	1974
Tons of Ore Milled	463,721	456,123	377,521
Average recovered grade oz/ton	0.195	0.194	0.216
Ounces produced	90,458	88,568	81,589

Mine Operating Costs

Mine operating costs increased 12% to \$11.90 per ton. Most of the increase was due to the higher cost of labour, services and supplies. There was a slight decrease in productivity from 11.5 to 11.4 tons per man shift.

	1976		1975	
	Total Cost	Cost per Ton Milled	Total Cost	Cost per Ton Milled
Development	\$ 261,387	\$ 0.564	\$ 239,853	\$ 0.526
Mining	2,932,135	6.323	2,419,818	5.305
Milling	1,278,254	2.756	1,164,152	2.552
General	954,053	2.057	947,310	2.077
Marketing	92,684	0.200	89,418	0.196
Total	<u>\$5,518,513</u>	<u>\$11.900</u>	<u>\$4,860,551</u>	<u>\$10.656</u>

Summary of Ore Extraction by Levels

Level	Tonnage	Ounces/Ton
1100-1300	8,780	0.167
1300-1500	116,420	0.135
1500-1650	74,756	0.156
1650-1800	7,606	0.165
1800-1950	136,245	0.249
1950-2100	48,445	0.233
2100-2250	55,361	0.231
2250-2400	12,852	0.125
2550-2700	3,256	0.179

Mine Development

An ore pass system was driven from the 3,200 foot to the 2,400 foot level.

A new crusher room was created at the 3,075 foot level and the crusher from the 2,000 foot level is presently being moved to this new location. When this operation has been completed, stoping below the 2,400 foot level can be started.

	1976	1975	1974
Feet of Drifting and Crosscutting	6,127	4,143	7,008
Feet of Raising	6,067	3,206	2,364
Feet of Diamond Drilling	12,842	12,318	13,468
Stope Preparation — Feet	5,535	5,888	6,473
— Tons	29,523	21,139	9,535
Shaft Sinking — Feet	—	365	243

Initial development and exploration on the 2,700 foot level is nearing completion. This work has indicated some 250,000 tons of porphyry ore grading 0.132 ounces of gold per ton between the 2,500 foot level and the 2,700 foot level, which is somewhat below the average grade and tonnage found on the upper levels.

Ore Reserves

Total proven and indicated ore reserves at December 31, 1976 were 2,400,550 tons of 0.177 ounces of gold per ton. This is a decrease of 324,600 tons after the milling of 463,721 tons. Grades reported are for the estimated recoverable gold, and details of the reserves are as follows:

	Tons at Year End 1976	Tons at Year End 1975	Tons at Year End 1974
Broken Ore Underground	326,337	212,562	241,217
Stockpile Ore on Surface	3,363	3,717	6,705
Total Broken Ore	329,700	216,279	247,922
Total Broken and Drilled Off	559,250	555,551	615,842
Broken and Proven — tons	1,742,000	2,008,100	1,943,250
— oz/ton	0.186	0.194	0.207
Indicated — tons	658,850	717,350	1,064,750
— oz/ton	0.152	0.147	0.159
Total Proven and Indicated — tons	2,400,850	2,725,000	3,008,000
— oz/ton	0.177	0.182	0.190

The tonnages reported include a 10% allowance for dilution. At a production rate of 1,260 tons per day, the total proven and indicated tonnage represents a 5.2 year reserve.

General

Exploration in the general mine region was curtailed in 1976 due to the low price of gold.

In 1977 development and exploration on the new levels will be continued.

The diligent and efficient work of the 156 employees is very much appreciated.

Respectfully submitted,

Armand Mailloux
Mine Manager

Brian Meikle, Ph.D.,
General Manager,
Operations

February 10, 1977

Consolidated Balance Sheet

December 31, 1976

Assets	1976	1975
CURRENT ASSETS		
Cash and short term deposits		\$ 1,261,808
Bullion (note 2)	\$ 1,694,952	2,211,429
Accounts and notes receivable	207,188	100,888
Taxes recoverable	55,232	
Ore stockpile, at net realizable value	79,000	91,000
Mine operating supplies, at cost	765,828	706,951
Prepaid expenses and deposits	74,070	94,865
	<u>2,876,270</u>	<u>4,466,941</u>
INVESTMENTS (note 3)		
Effectively controlled company	3,346,369	3,653,108
Other companies, at cost	2,158,026	964,886
	<u>5,504,395</u>	<u>4,617,994</u>
FIXED ASSETS, at cost		
Buildings and equipment	5,688,772	5,547,223
Less accumulated depreciation	3,279,236	2,736,863
	<u>2,409,536</u>	<u>2,810,360</u>
Mining property	5,000	5,000
	<u>2,414,536</u>	<u>2,815,360</u>
OTHER ASSETS AND DEFERRED EXPENDITURES		
Exploration advances	329,577	
Mortgages receivable from employees	169,051	81,000
Preproduction expenditures, less amortization	75,328	90,393
Deferred exploration and development expenditures, less amortization	636,396	646,704
Deferred outside exploration expenditures	580,190	478,857
Petroleum and natural gas properties, less depletion (note 4)	4,208,128	2,717,230
	<u>5,998,670</u>	<u>4,014,184</u>
	<u>\$ 16,793,871</u>	<u>\$ 15,914,479</u>

CAMFLO MINES LIMITED

and its wholly owned subsidiary

Incorporated under the laws of Ontario

Liabilities	1976	1975
CURRENT LIABILITIES		
Bank advances (note 3)	\$ 836,630	
Accounts payable and accrued liabilities	620,024	\$ 838,421
Taxes payable		786,676
	<u>1,456,654</u>	<u>1,625,097</u>
PROVISION FOR TERMINATION OF EMPLOYMENT	103,193	88,538
DEFERRED INCOME TAXES	<u>1,723,000</u>	<u>1,398,000</u>
 Shareholders' Equity		
CAPITAL STOCK (note 5)		
Authorized — 5,000,000 shares, par value \$1 each		
Issued — 3,439,107 shares (1975, 3,432,107 shares)	3,439,107	3,432,107
Discount thereon (net)	<u>1,718,880</u>	<u>1,750,380</u>
	<u>1,720,227</u>	<u>1,681,727</u>
RETAINED EARNINGS	<u>11,790,797</u>	<u>11,121,117</u>
	<u>13,511,024</u>	<u>12,802,844</u>
	 <u><u>\$16,793,871</u></u>	 <u><u>\$15,914,479</u></u>

Contingent liabilities (note 6)

Approved by the Board

A. W. Stollery, Director

G. T. Smith, Director

Consolidated Statement of Income

Year Ended December 31, 1976

	1976	1975
Bullion production	\$ 11,005,763	\$ 13,719,301
Petroleum and natural gas production	683,328	217,032
	<u>11,689,091</u>	<u>13,936,333</u>
Operating and administrative expenses other than items set out below	6,358,992	5,556,750
Quebec mining tax	600,000	1,150,000
Outside exploration expenditures	166,103	204,612
	<u>7,125,095</u>	<u>6,911,362</u>
	<u>4,563,996</u>	<u>7,024,971</u>
Depreciation	542,373	617,552
Amortization of preproduction expenditures	15,065	18,079
Amortization of deferred exploration and development expenditures	127,279	129,341
Depreciation and depletion of petroleum natural gas properties	136,640	70,809
	<u>821,357</u>	<u>835,781</u>
	<u>3,742,639</u>	<u>6,189,190</u>
Share of loss of effectively controlled company	(306,739)	(33,940)
Interest and other investment income	65,423	244,649
	<u>3,501,323</u>	<u>6,399,899</u>
Income before income taxes		
Income taxes		
Current	1,083,000	2,300,000
Deferred	373,000	340,000
	<u>1,456,000</u>	<u>2,640,000</u>
NET INCOME	<u>\$ 2,045,323</u>	<u>\$ 3,759,899</u>
EARNINGS PER SHARE	\$.60	\$ 1.10

Consolidated Statement of Retained Earnings

Year Ended December 31, 1976

	1976	1975
BALANCE AT BEGINNING OF YEAR	\$ 11,121,117	\$ 9,076,672
Net income	<u>2,045,323</u>	<u>3,759,899</u>
	<u>13,166,440</u>	<u>12,836,571</u>
Dividends paid	1,375,643	1,715,454
BALANCE AT END OF YEAR	<u>\$ 11,790,797</u>	<u>\$ 11,121,117</u>

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1976

	1976	1975
WORKING CAPITAL DERIVED FROM		
Operations		
Net income	\$ 2,045,323	\$ 3,759,899
Items not involving working capital		
Depreciation and amortization	821,357	835,781
Deferred income taxes	373,000	340,000
Reduction in provision for decline in market value of investment in other companies		(100,000)
Provision for termination of employment	14,655	12,139
Loss on investments in other companies	78,817	
Share of loss of effectively controlled company	306,739	33,940
Other		1,276
	<u>3,639,891</u>	<u>4,883,035</u>
Proceeds from sale of investments in other companies	89,237	
Proceeds from sale of fixed assets		309
Proceeds from issue of capital stock	38,500	27,500
Receipts on mortgages receivable from employees	3,449	50,000
	<u>3,771,077</u>	<u>4,960,844</u>
WORKING CAPITAL APPLIED TO		
Additions to fixed assets	141,549	856,106
Petroleum and natural gas properties	1,627,538	1,437,877
Exploration advances	329,577	
Increase in deferred outside exploration expenditures	101,333	339,246
Dividends paid	1,375,643	1,715,454
Purchase of shares of other companies	1,361,194	227,329
Mortgages receivable from employees	91,500	10,000
Deferred exploration and development expenditures	116,971	268,903
Reclassification of deferred income taxes to current	48,000	
	<u>5,193,305</u>	<u>4,854,915</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(1,422,228)	105,929
WORKING CAPITAL AT BEGINNING OF YEAR	<u>2,841,844</u>	<u>2,735,915</u>
WORKING CAPITAL AT END OF YEAR	<u>\$ 1,419,616</u>	<u>\$ 2,841,844</u>

Notes to Consolidated Financial Statements

Year Ended December 31, 1976

1. Summary of Significant Accounting Policies

(a) Basis of consolidation

These financial statements include the accounts of the company and its wholly owned subsidiary C.M.L. Inc., a company incorporated under the laws of the State of Delaware, U.S.A. for the purpose of carrying out resource exploration in that country. The company follows the equity method of accounting, including in earnings its share of the earnings and losses of La Luz Mines Limited of which it owns 49% of the issued shares. Investments in incorporated and unincorporated joint ventures are accounted for on a proportionate consolidation basis; the company reflects its pro rata share of the assets, liabilities, revenues and expenses of each of its joint ventures.

(b) Bullion

Bullion is reflected in the accounts at its actual net settlement value and/or at its estimated net realizable value less amounts received in advance pending final bullion settlement.

(c) Depreciation, depletion and amortization

The company provides depreciation on its mine assets and amortization on preproduction and deferred exploration and development expenditures on a straight-line basis over the estimated remaining life of the mine, as determined by proven ore reserves established from time to time. Other assets are being depreciated on a straight-line basis at a rate of 20% per annum.

Expenditures on mineral exploration programmes are deferred on a specific project basis until the viability of the project is determined. If a project is discontinued, the accumulated project costs are charged to income. If a project is developed, the related accumulated costs are amortized against future income from that project.

The company follows the full cost method of accounting whereby all costs related to the exploration for and development of petroleum and natural gas reserves are capitalized. Such costs include acquisition costs, geological and geophysical expense, carrying charges on non-producing property, costs of drilling both productive and unproductive wells and related production equipment. Proceeds received on disposal of properties are credited against such costs. Depreciation and depletion are provided on the net costs using the composite unit of production method based on total estimated proven reserves.

(d) Income and mining taxes

The company charges earnings with income taxes currently payable and also with income taxes deferred as a result of claiming depreciation, amortization and depletion for tax purposes differing from amounts

provided in the accounts. The accumulated total of such income tax deferments is reflected in the consolidated balance sheet as "Deferred income taxes".

2. Bullion

That portion of the bullion for which actual settlements have not been made is valued at estimated net realizable value, using a value for gold of \$130 per ounce (1975, \$130 per ounce).

3. Investments

(a) Effectively controlled resource company

The company holds 774,600 shares of La Luz Mines Limited, being 49% of the issued shares of that company, and has an option to purchase an additional 105,710 shares at \$4.65 per share at any time between January 1 and March 31, 1980.

(b) Other resource companies

	1976	1975
Marketable securities (quoted market value \$1,825,800; 1975, \$918,860)	\$2,006,826	\$ 814,886
Securities with no quoted market value	151,200	150,000
	<u>\$2,158,026</u>	<u>\$ 964,886</u>

Certain of the securities are lodged with the companies' bankers as collateral against bank advances of \$200,000.

4. Petroleum and Natural Gas Properties

	1976	1975
Petroleum and natural gas properties, together with exploration and development thereon		
Canada	\$2,559,447	\$1,649,324
U.S.A.	1,045,680	858,843
	<u>3,605,127</u>	<u>2,508,167</u>
Production equipment	836,766	306,188
	<u>4,441,893</u>	<u>2,814,355</u>
Accumulated depletion and depreciation	233,765	97,125
	<u>\$4,208,128</u>	<u>\$2,717,230</u>

5. Capital Stock

During 1976, options granted in 1973 to mine employees were exercised on 7,000 shares at \$5.50 per share for a total consideration received of \$38,500. At December 31, 1976, options granted to ten employees to purchase 87,000 shares of the company at \$12.00 per share were outstanding. The options expire November 30, 1977.

6. Contingent Liabilities

(a) The company has guaranteed bank loans of up to \$7,000,000 relating to coal mining operations in the United States.

(b) A writ was served on the company in 1971 alleging certain wrongful acts and claiming damages of \$1,330,000; however the plaintiff has not pursued its claim. The company contends that the allegations are unfounded.

7. Anti-Inflation Programme

Under the federal anti-inflation legislation, dividends the company may pay to its shareholders are limited to a

maximum of 75¢ per share during the year ending October 13, 1977, the second year of the programme.

8. Other Statutory Information

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) amounted to \$323,600 (1975, \$319,273).

9. Subsequent Event

Subsequent to December 31, 1976 the company has increased its investment in other resource companies by approximately \$2,000,000.

Auditors' Report

To the Shareholders of
Camflo Mines Limited

We have examined the consolidated balance sheet of Camflo Mines Limited as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 23, 1977

Thorne Riddell & Co.,
Chartered Accountants

TEN-YEAR COMPARATIVE SUMMARIES OF PRODUCTION AND FINANCIAL HIGHLIGHTS

FINANCIAL RESULTS

	1976	1975	1974
Gross Value of Bullion Production	\$11,005,763	\$ 13,719,301	\$13,233,960
Est. Average Gold Price Received (per ounce)	\$ 121.67	\$ 155.00	\$ 162.00
Operating and Administration Expenses	\$ 6,358,992	\$ 5,556,750	\$ 4,290,483
Depreciation and Amortization	\$ 821,357	\$ 835,781	\$ 399,795
Provision for Income Taxes (net)	\$ 1,456,000	\$ 2,640,000	\$ 2,575,000
Net Income	\$ 2,045,323	\$ 3,759,899	\$ 4,903,009
Net Income Per Share	\$ 0.60	\$ 1.10	\$ 1.43
Cash Flow	\$ 3,639,891	\$ 4,883,035	\$ 5,692,183
Cash Flow Per Share	\$ 1.06	\$ 1.42	\$ 1.66
Dividends Paid	\$ 1,375,643	\$ 1,715,454	\$ 2,398,375
Dividends Paid Per Share	\$ 0.40	\$ 0.50	\$ 0.70

FINANCIAL POSITION (at year end)

Working capital (deficiency)	\$ 1,419,616	\$ 2,841,844	\$ 2,735,915
Fixed Assets (net)	\$ 2,409,536	\$ 2,810,360	\$ 2,582,116
Other Assets and Deferred Charges	\$ 5,998,670	\$ 4,014,184	\$ 2,226,387
Total Assets	\$16,793,871	\$15,914,479	\$12,889,963
Shareholders' Equity	\$13,511,024	\$12,802,844	\$10,730,899
Shares Outstanding	3,439,107	3,432,107	3,427,107
Share Price High/Low	\$11.75/5.00	\$ 15.50/7.75	\$23.25/9.37

PRODUCTION HIGHLIGHTS

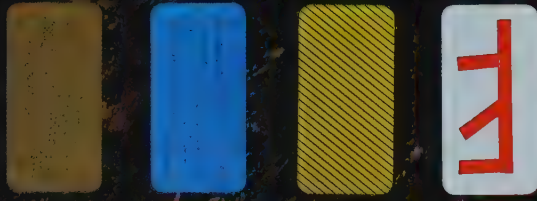
Tons of Ore Milled	463,721	456,123	377,521
Recovered Grade (oz./ton)	0.195	0.194	0.216
Ounces Gold Recovered	90,458	88,568	81,589
Ore Reserves (at year end)	2,400,550	2,725,450	3,008,000
Average Grade (oz./ton)	0.177	0.182	0.190
Mine Operating Costs — per Ton Milled	\$ 11.90	\$ 10.66	\$ 10.12
— per Ounce Recovered	\$ 61.01	\$ 55.00	\$ 46.70

1973	1972	1971	1970	1969	1968	1967
10,548,373	\$5,982,850	\$3,771,978	\$3,331,112	\$3,729,869	\$3,787,957	\$3,666,217
107.39	\$ 59.77	\$ 41.19	\$ 36.64	\$ 43.32	\$ 41.35	\$ 37.82
3,160,023	\$2,581,980	\$2,160,125	\$2,244,857	\$2,415,438	\$2,334,801	\$2,176,038
293,685	\$ 509,608	\$ 480,921	\$ 616,011	\$ 525,803	\$ 439,785	\$ 379,241
2,025,000	\$ 638,000	\$ 315,000	\$ 64,725	—	—	—
4,492,676	\$2,051,377	\$ 800,759	\$ 668,510	\$ 786,516	\$ 933,678	\$ 980,035
1.31	\$ 0.60	\$ 0.23	\$ 0.20	\$ 0.23	\$ 0.27	\$ 0.29
5,061,361	\$2,448,985	\$1,587,680	\$1,349,246	\$1,311,531	\$1,373,463	\$1,359,276
1.48	\$ 0.72	\$ 0.47	\$ 0.40	\$ 0.39	\$ 0.40	\$ 0.40
1,705,554	\$ 682,221	\$ 341,111	\$ 341,111	\$ 341,061	\$ 511,216	\$ 681,221
0.50	\$ 0.20	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.15	\$ 0.20
4,570,969	\$2,271,503	\$1,203,596	\$ 684,962	(\$ 46,791)	(\$ 509,462)	\$ 13,663
1,819,779	\$1,748,274	\$1,860,481	\$2,161,101	\$2,406,686	\$2,211,066	\$1,164,876
1,169,727	\$ 540,651	\$ 584,855	\$ 530,539	\$ 785,431	\$1,044,037	\$1,137,340
10,259,688	\$6,712,167	\$4,400,303	\$3,766,657	\$3,919,395	\$4,122,074	\$2,791,658
8,187,765	\$5,351,143	\$3,856,987	\$3,522,339	\$3,194,940	\$2,840,841	\$2,411,379
3,420,107	3,411,107	3,411,107	3,411,107	3,411,107	3,408,107	3,406,107
14.00/3.90	\$5.45/2.39	\$3.90/2.22	\$3.60/2.05	\$7.75/2.85	\$6.75/3.65	\$4.15/2.25
389,622	380,682	377,774	374,580	386,449	362,734	366,419
0.251	0.263	0.243	0.243	0.223	0.253	0.264
98,228	100,101	91,684	90,913	86,096	91,608	96,855
2,631,350	2,247,000	1,946,460	2,174,000	2,109,000	1,715,303	2,078,037
0.220	0.231	0.245	0.241	0.224	0.249	0.250
7.55	\$ 6.27	\$ 5.45	\$ 5.71	\$ 5.77	\$ 6.04	\$ 5.71
29.71	\$ 23.84	\$ 22.50	\$ 23.53	\$ 25.88	\$ 23.93	\$ 21.62

NOTES During the period from the inception of production up to and including 1971, the Company received varying amounts of cost-aid under the Emergency Gold Mining Assistance Act. Cost-aid for those years was included in calculating the Operating Profit, Cash Flow from Operations and Net Income. The following are the yearly amounts received in this period from 1967 to 1971, respectively: \$5,650; \$40,000; \$90,000; \$367,000; and \$71,000.

Surface

erburden



Mined out

1975 Stopped and broken ore

1976 Stopped and broken ore

1976 Development work

Level 300

Level 600

Level 900
Sump

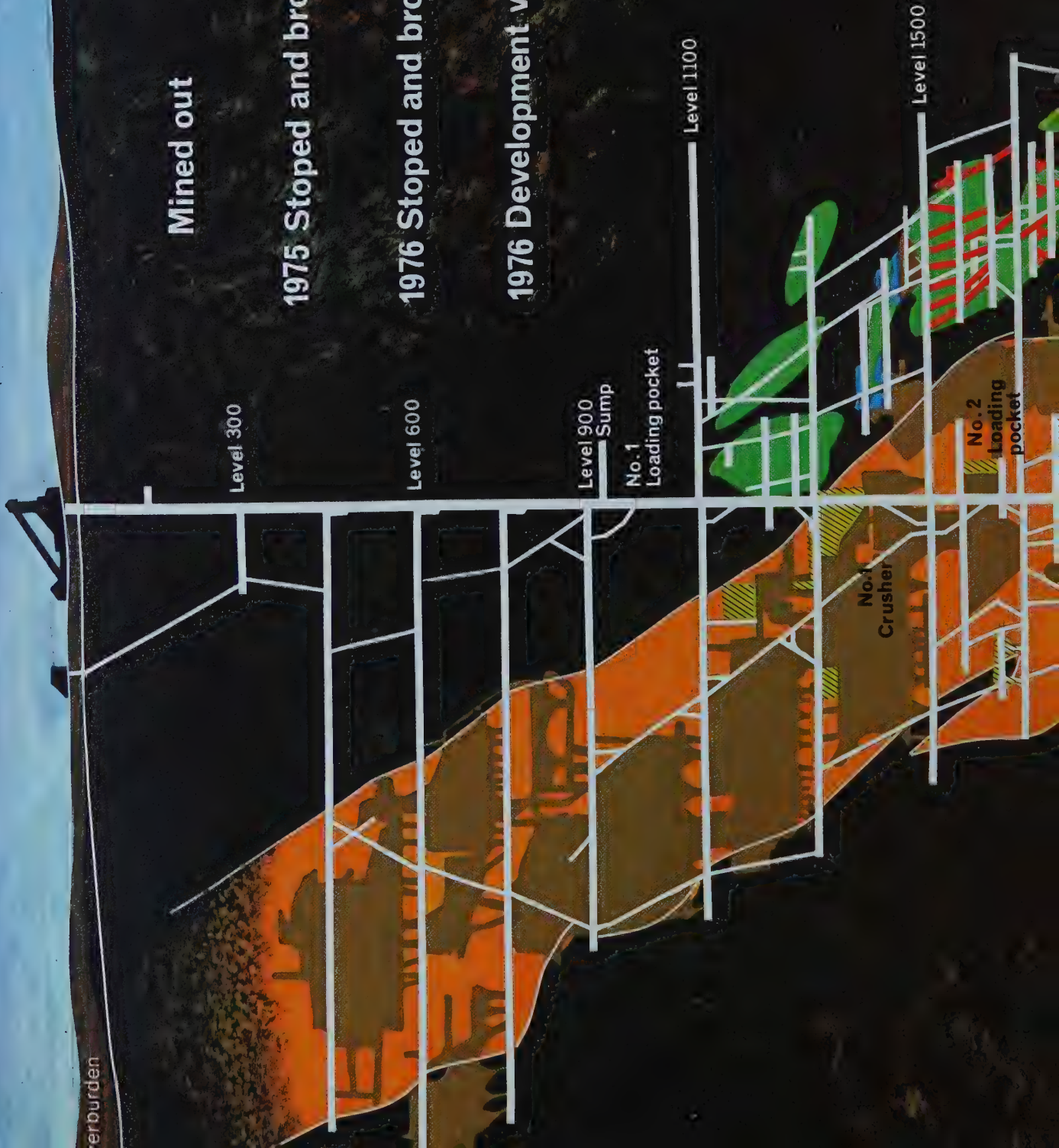
No. 1
Loading pocket

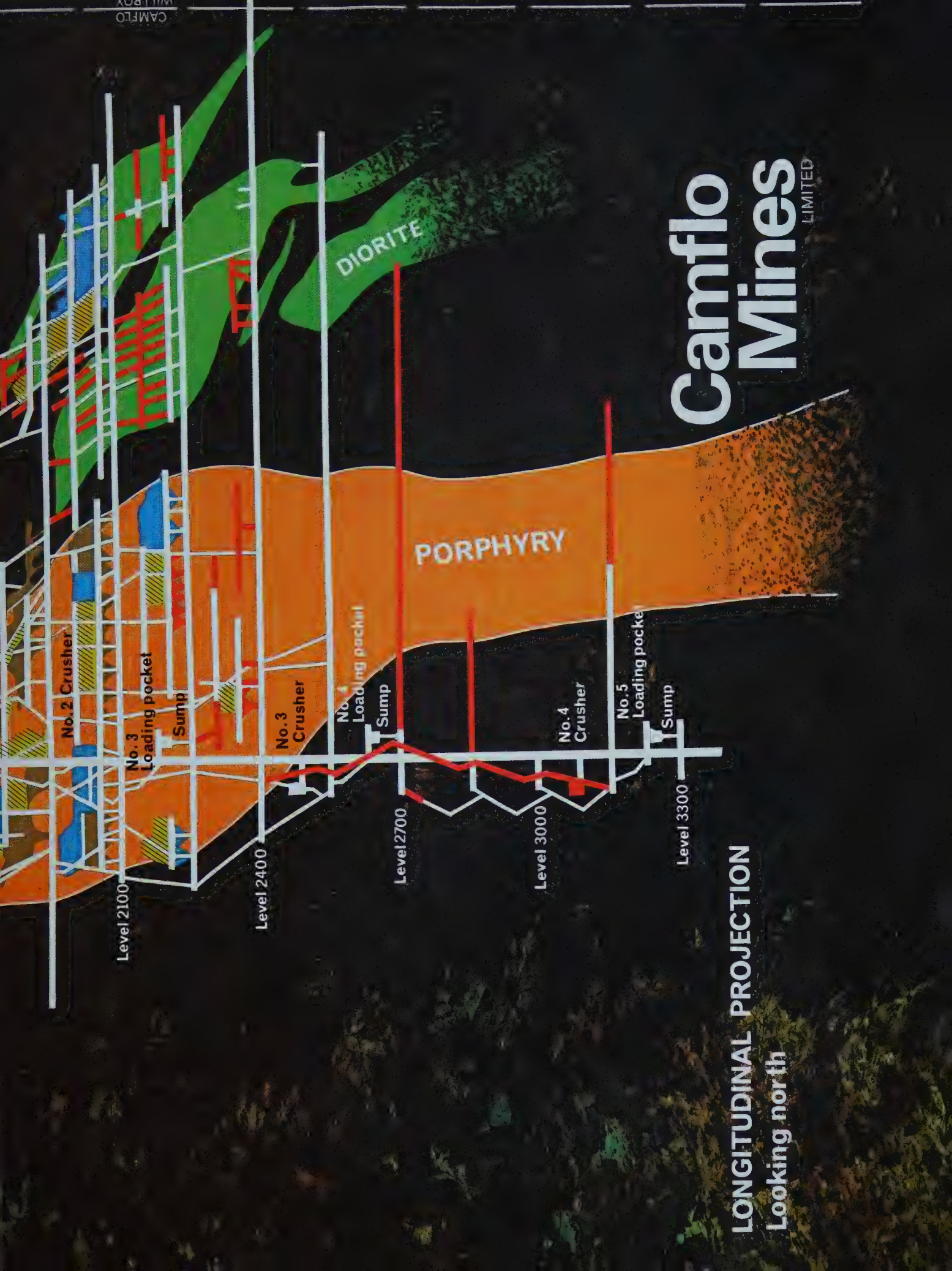
Level 1100

Level 1500

No. 1
Crusher

No. 2
Loading
pocket





Camflo Mines

LIMITED

LONGITUDINAL PROJECTION
Looking north



1

2





3

The Kasmere Lake Uranium Exploration Project

The Kasmere Lake uranium project is a large-scale search for uranium undertaken by Camflo Mines Limited and United Siscoe Mines Limited in partnership with the Manitoba government.

Rising world requirements for uranium as a source of nuclear energy and the geological attractiveness of the Wollaston Lake Fold Belt were key factors leading to the selection of the Kasmere Lake area.

The geological structure, the "Wollaston Lake Fold Belt", has been the site of the discovery of a number of major uranium deposits in northern Saskatchewan. The portion of this belt located in northwestern Manitoba had had only relatively cursory exploration when Camflo and Siscoe management assembled a small exploration crew to carry out prospecting on the ground in the Spring of 1976. The area is about 600 miles north of Winnipeg and 90 miles northeast of the Rabbit Lake Saskatchewan uranium discoveries. Kasmere Lake is the most prominent geographic feature and gave its name to the continuing and expanding exploration project.

Early exploration was chiefly guided and complemented by recent Government mapping, and the Geological Survey of



4

Uranium Exploration in Manitoba

1. The drill camp is serviced by a Twin Otter from Lynn Lake.
2. Diamond drilling for uranium on the Suc Lake claims in northern Manitoba.
3. R. Brown, geologist, and M. E. Holt, Manager of Exploration, use a scintillometer to check some of the drill core.
4. Steve Bortnick, geophysical contractor.

Photography by George Hunter

Canada's airborne radiometric and ground geochemical surveys. The main emphasis was placed on the aero-radiometric anomalies. Staking of some anomalies followed the release of data by the Geological Survey of Canada and covered a total of 21 square miles of claims. Subsequently, an additional 16 square miles were staked for further protection.

In this northern area of the Precambrian Shield about 98% of the ground is covered by glacial debris and water. Little bedrock is exposed, however, rocks are plentiful in the form of abundant boulder fields. These boulder fields provided the opportunity to seek evidence of uranium mineralization.

The Camflo-United Siscoe prospectors discovered four specific areas of significant uranium mineralization by the end of September. While most of this uranium occurred in boulders, several radioactive outcrops were also found. Numerous representative and selected samples were collected from each of the four areas and assays varied between 0.055% to 3.92% U_3O_8 (1.1 to 78.4 pounds per ton). A sample of massive pitchblende was found in one locality. Molybdenite, in addition to other sulphides, frequently occurred with the uranium. Generally, the boulders do not appear to have been displaced very far from their origin by glacial movement. This should simplify the task of locating the source of the mineralization.

Because of this encouragement, exploration was extended through the winter. Additional ground to explore was acquired under a new Manitoba permit system. Seven permits were obtained covering a total of about 560,000 acres.

Coincident with the 1976 field work, a large Geological Survey of Canada crew, stationed in the same area, completed further airborne surveys at one kilometer spacings. They also performed localized detailed flying and ground follow-up work consisting of geochemical surveys and geological observations. The results of this work that fell

within the boundaries of the new permit areas and the original staking were made available to the Joint Venture. The more detailed air surveys not only indicated a number of strong anomalous conditions but partially confirmed the significance of the ground discoveries.

Lodgement till sampling has proven an effective means of locating bedrock uranium mineralization along other parts of the Wollaston Lake Fold Belt in Saskatchewan. Similar techniques and equipment were applied to one of the four areas at Kasmere Lake. Drilling to sample the till started before Christmas and was carried out on a regular grid pattern starting in the vicinity of the radioactive boulders and progressing "up-ice". This programme defined an area of about 3,500 feet by 800 feet where highly anomalous values of uranium occurred in the basal or lodgement till. Detailed and regional geophysical surveys were also completed along the same grid system. These aided in delineation of possible structural traps in the vicinity of the "till" anomalies and mineralized boulders. Diamond drilling of the bedrock has been started and narrow uraniferous zones have been discovered. This drilling programme will continue.

A major exploration programme for the 1977 field season has now been organized. A large centralized base camp has been constructed for a field contingency of about 35 personnel. Arrangements have been completed for full time helicopter and fixed wing support, a field laboratory and two diamond drills. Basic supplies, such as gasoline and additional bush equipment, have also been stored at the main camp.

This accelerated phase of exploration for uranium in the Kasmere Lake area is based on minimum expenditures of \$1 million annually for the next two years.

Any success in the search for Wollaston Lake Fold Belt uranium orebodies similar to those already found in Saskatchewan would mean an expansion of the already substantial planned expenditure.



Drilling in progress at the Turner #1 well, North Simsboro, Texas. Camflo is a partner in this exploration venture operated by Orbit Oil & Gas Inc.

CAMFLO MINES LIMITED

and its wholly owned subsidiary

Incorporated under the laws of Ontario

BOARD OF DIRECTORS

William J. Brissenden, Toronto, Ontario
Independent Mining Engineer

Robert E. Fasken, Mississauga, Ontario
Mining Executive, Chairman, United Siscoe Mines Limited

Brian K. Meikle, Mississauga, Ontario
Geologist, General Manager Operations, Camflo Mines Limited

Brian A. O'Brien, Old Chelsea, Quebec
Managing Partner, Guillaume, O'Brien and Associates

George T. Smith, Toronto, Ontario
Barrister and Solicitor, President, Camflo Mines Limited

Robert M. Smith, Oakville, Ontario
Mining Engineer, President, United Siscoe Mines Limited

Arthur W. Stollery, Unionville, Ontario
Mining Executive, Chairman, Camflo Mines Limited

CONSULTANT

S. C. Brown, Havelock, Ontario

EXECUTIVE AND HEAD OFFICE

Suite 3001, South Tower, P.O. Box 45
Royal Bank Plaza
Toronto, Canada M5J 2J1

MINE OFFICE

P.O. Box 640, Malartic, Quebec, J0Y 1Z0

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company
Toronto, Ottawa, Montreal

OFFICERS

Arthur W. Stollery — *Chairman*

George T. Smith — *President*

Robert E. Fasken — *Vice President*

Robert M. Smith — *Vice President Operations*

Brian K. Meikle — *General Manager Operations*

Meredith E. Holt — *Manager of Exploration*

Kenneth E. Elrick — *Treasurer*

David Doig — *Secretary*

R. Geoffrey Newbury — *Counsel*

AUDITORS

Thorne Riddell & Co.
Chartered Accountants, Toronto, Canada

BANKERS

The Royal Bank of Canada
Toronto, Canada

MINE STAFF

Mine Manager — A. Mailloux

Assistant Mine Manager — A. Makila

Chief Engineer — G. Fleming

Electrical Superintendent — D. Lalonde

Mill Superintendent — R. Jolicoeur

Production Engineer — M. Sirois

Mine Accountant — F. Vodopivec

SHARE LISTING

The Toronto Stock Exchange
Montreal Stock Exchange

ANNUAL MEETING OF SHAREHOLDERS

May 24, 1977, 11:00 a.m.
Tudor Room, Royal York Hotel,
Toronto, Canada



Aerial view of the main base camp for the 1977 Uranium exploration program in Manitoba.



AR51

**CAMFLO
MINES
LIMITED**



**SEMI-ANNUAL REPORT
TO SHAREHOLDERS**

For the Six Months Ended June 30, 1976

CAMFLO MINES LIMITED

Executive and Head Office

P.O. Box 306

Toronto-Dominion Centre

Suite 1806 - Commercial Union Tower

Toronto, Ontario M5K 1K2

To the Shareholders:

As shown in the enclosed unaudited consolidated statements for the first half of 1976, the Company's net income was \$1,253,846, the equivalent of 36.5 cents a share. Cash flow per share was 53.3 cents. These results represent a reduction from net income of \$2,126,483, or 62.1 cents a share reported for the first six months of 1975. Cash flow in that period was 77.6 cents a share.

MINING

Operations at the gold mine reflect continuing efficiency. The principal factor in the reduced income was the lower price for gold in world markets.

A total of 46,230 ounces of gold was produced from 228,833 tons of ore. This compares with 1975 first half production of 42,725 ounces from 225,106 tons. Estimated average value for gold produced was \$127.92 an ounce, compared with \$169.14 per ounce in the same period last year. Gross value of production was \$5,914,087, compared with \$7,226,315. Operating costs per ounce at \$59.85 were up from \$52.21.

The mill treated an average of 1,257 tons daily with a recovery of 95.7%, as compared to 1,244 tons daily with a recovery of 95.2% in the same period of 1975. Grade of ore treated was slightly higher at 0.202 ounces of gold per ton, compared with 0.190 ounces.

In the mine, the new waste pass system was completed and a new ore pass system from the 2,400 foot level to the 3,200 foot loading pocket is nearing completion. As expected, initial drifting on the 2,700 foot level encountered a significant amount of porphyry ore. Exploration and development drilling to define these ore bodies will start in late August.

NATURAL GAS

Revenue from the Company's expanding natural gas interests doubled to \$169,590 in the six months to June 30, 1976, from \$82,085 in the corresponding period of 1975.

With additional natural gas plant facilities becoming available, production accruing to Camflo Mines is expected to continue increasing. An accelerated drilling programme is underway in the North Killam field. The new Iron Creek production unit in the Killam area started production on June 26, 1976, effectively tripling the quantity of natural gas being produced for the Company from Killam North Gas Unit #2. Further expansion of gas treatment facilities is planned in this area of Alberta so that natural gas already developed and being discovered can be brought to market expeditiously.

In the Holden area, an additional 10 wells have been tied in recently with the eight wells already producing, also resulting in a substantial increase in output.

Aggressive investment and development to establish a substantial position in the oil and gas industry is a basic policy of the Company. The main emphasis so far has been in East Central Alberta where Camflo has participated in the drilling of a total of 167 wells of which 118 have been completed as producers. This has resulted in proven natural gas reserves accruing to Camflo of more than 20 billion cubic feet from an investment of some \$2.3 million.

The potential significance of this policy to Camflo is already becoming evident. Natural gas is an important energy resource to Canada. Development in Alberta is particularly active with governments increasing selling prices and beginning to recognize that producers must share in these higher prices if national needs are to be met. The price of natural gas in Alberta rose on July 1, 1976, to \$1.12 per thousand cubic feet from 97 cents and further increases are expected.

Provided the expansion of existing gas facilities and construction of new gas processing plants are completed on schedule, revenue from the Company's natural gas projects should increase to approximately \$1,000,000 in 1977.

MINING EXPLORATION

A substantial uranium exploration project is underway in northern Manitoba in a joint venture with United Siscoe Mines Limited. This is a followup of airborne geophysical surveys. Ground surveys and geochemical testing are underway. Activity is being accelerated with staking continuing. The Government of Manitoba has indicated interest in participating in these initial programmes to the extent of 50% as set out in provincial legislation. Preliminary discussions have been held.

A joint venture agreement with a private company, Magna Resources Limited, provides for exploration for base metals in the Gaspé area. Initial activity, involving the concentration on areas of interest indicated by airborne surveys, is expected to start soon.

Syndicate participations continue in the western United States, British Columbia and the Yukon.

LA LUZ MINES LIMITED

The Crown City coal mine which is operated as a joint venture with Gilbert Fuel Company, is beginning to operate efficiently with production increasing steadily towards 30,000 tons per month, for which sales contracts have been negotiated. This mine will effectively operate at a production rate of 50,000 tons per month, however, the current coal market continues to be soft and this additional tonnage has as yet not been committed under long term contract.

The contemplated merger with Gilbert Fuel Company has still not been effected.

GENERAL

Although conditions in world gold markets are somewhat uncertain, the gold mine is expected to continue to be a valuable, income-producing asset while the Alberta natural gas projects grow in importance as sources of revenue.

On behalf of the Board of Directors,

A. W. STOLLERY
Chairman

G. T. SMITH
President

August 16, 1976.

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CAMFLO MI
and its wholly

CONSOLIDATED STA
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For the six months

Tons of Ore Milled
Bullion recovery (ounces)
Gross Value of Production
Revenue — Natural Gas interests

Operating and Administrative expenses other than items set out below
Quebec mining tax
Outside exploration expenditures written off

Depreciation
Amortization of preproduction expenditures
Amortization of deferred exploration and development expenditures
Amortization of interest in petroleum and natural gas properties

Share of income (loss) of effectively controlled company
Interest and other investment income
Income before taxes
Income taxes
 Current
 Deferred

Net income for the period

Net income per share
Cash flow per share

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MENT OF INCOME

d)

ed June 30, 1976

	First Quarter 1976	Second Quarter 1976	Six Months June 30, 1976	Six Months June 30, 1975
.....	\$ 113,920	\$ 114,913	\$ 228,833	\$ 225,106
.....	21,224	25,006	46,230	42,725
.....	<u>\$2,767,582</u>	<u>\$3,146,505</u>	<u>\$5,914,087</u>	<u>\$7,226,315</u>
.....	90,900	78,690	169,590	82,085
.....	<u>2,858,482</u>	<u>3,225,195</u>	<u>6,083,677</u>	<u>7,308,400</u>
.....	1,501,769	1,545,627	3,047,396	2,551,375
.....	185,000	215,000	400,000	875,000
.....	30,768	(15,314)	15,454	27,968
.....	<u>1,717,537</u>	<u>1,745,313</u>	<u>3,462,850</u>	<u>3,454,343</u>
.....	<u>1,140,945</u>	<u>1,479,882</u>	<u>2,620,827</u>	<u>3,854,057</u>
.....	155,000	160,011	315,011	150,000
.....	4,500	4,500	9,000	8,000
.....	32,300	32,700	65,000	36,000
.....	19,300	23,700	43,000	36,900
.....	<u>211,100</u>	<u>220,911</u>	<u>432,011</u>	<u>230,900</u>
.....	929,845	1,258,971	2,188,816	3,623,157
.....	(10,546)	(32,460)	(43,006)	90,000
.....	15,696	22,340	38,036	13,326
.....	<u>934,995</u>	<u>1,248,851</u>	<u>2,183,846</u>	<u>3,726,483</u>
.....	300,000	500,000	800,000	1,300,000
.....	35,000	95,000	130,000	300,000
.....	<u>335,000</u>	<u>595,000</u>	<u>930,000</u>	<u>1,600,000</u>
.....	<u>\$ 599,995</u>	<u>\$ 653,851</u>	<u>\$1,253,846</u>	<u>\$2,126,483</u>
.....	17.4¢	19.1¢	36.5¢	62.1¢
.....	25.5¢	27.8¢	53.3¢	77.6¢

CAMFLO MINES LIMITED

and its wholly owned subsidiary

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION (Unaudited)

For the six months ended June 30, 1976

(With comparative figures for 1975)

	1976	1975
<i>Working capital derived from</i>		
Operations		
Net income	\$1,253,846	\$2,126,483
Items not involving working capital		
Depreciation and amortization ..	432,011	230,900
Deferred income taxes	130,000	300,000
Share of (income) loss of effectively controlled company ..	43,006	(90,000)
	<u>1,858,863</u>	<u>2,567,383</u>
Proceeds from issue of capital stock ..	38,500	16,500
	<u>1,897,363</u>	<u>2,583,883</u>
<i>Working capital applied to</i>		
Additions to fixed assets	109,218	685,773
Interest in petroleum and natural gas properties	587,474	317,112
Deferred outside exploration	88,799	423,476
Deferred exploration and development	68,258	162,828
Purchase of shares of other companies	423,242	36,037
Dividends declared	687,821	1,029,032
Mortgages receivable from employees	45,800	—
	<u>2,010,612</u>	<u>2,654,258</u>
Increase (decrease) in working capital ..	(113,249)	(70,375)
Working Capital at beginning of period ..	2,841,844	2,735,915
Working Capital at end of period	<u>\$2,728,595</u>	<u>\$2,665,540</u>